

# **State of Alaska FY2008 Governor's Operating Budget**

## **Department of Transportation/Public Facilities Regional Support Services Results Delivery Unit Budget Summary**

## Regional Support Services Results Delivery Unit

### Contribution to Department's Mission

Provide a variety of administrative support services for the Department's regional operations.

### Core Services

The Regional Directors' offices provide management oversight of all functions of the organization and act as liaison

- between divisions and between the department and other agencies and the public.
- The support service offices provide management support and budget coordination to all operating divisions in each
- region, with additional support provided to headquarters and statewide divisions and the International Airports.
- The procurement offices are responsible for the purchase and delivery of supplies, equipment and services as well as
- property control.

End Results	Strategies to Achieve Results
<b>A: Increase cost efficiency of the department.</b>  <u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%. <u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.  <u>Target #2:</u> Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5. <u>Measure #2:</u> Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.	<b>A1: Improve procurement processing.</b>  <u>Target #1:</u> Reduce procurement processing time by 10%. <u>Measure #1:</u> Percent change in time from receipt of request to issuance of order compared to prior year.  <u>Target #2:</u> Reduce procurement violations by 1/3. <u>Measure #2:</u> Percent change in the number of procurement violations compared to prior year.

### Major Activities to Advance Strategies

- Expand use of credit card purchases to reduce the number of small invoices.
- Analyze activities to determine if there is a better way of doing business.
- Create on-line stock requests and better define the item or service requested on the stock request.
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### FY2008 Resources Allocated to Achieve Results

<b>FY2008 Results Delivery Unit Budget: \$3,392,400</b>	<b>Personnel:</b>	
	Full time	35
	Part time	3
	<b>Total</b>	<b>38</b>

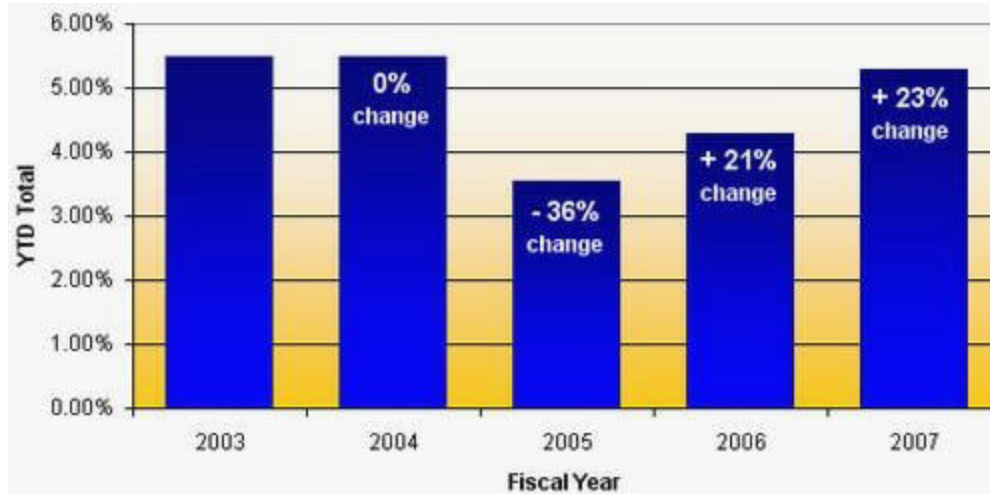
## Performance Measure Detail

### A: Result - Increase cost efficiency of the department.

**Target #1:** Reduce the ratio of administrative overhead to total department costs by 3%.

**Measure #1:** Ratio of total administrative overhead funding as compared to total department costs.

**Indirect Overhead Cost Rate**



**Analysis of results and challenges:** The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines, which is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY07 vary between 1% for harbor projects to 5.28% for highway projects. The federal highway project rate is used for year to year comparisons. FY07 rates are developed based on FY05 actual expenditure data.

Due to a variety of problems, construction activity slowed in the Federal Highway funded capital project program. Because the amount of indirect costs increased due to the increased employee benefit costs, and the dollar amount of capital projects decreased, the indirect cost rate increased for FY07.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport construction.

**Target #2:** Increase to 80% the respondents (customers) that rate the section's service at 4 or above on a scale of 1 to 5.

**Measure #2:** Percent of respondents (customers) rating the section's service at 4 or above on a scale of 1 to 5 in the areas that Support Services has purview over: budget, procurement, etc.

#### Customer Satisfaction Rating

Year	YTD Total
2005	not available

**Analysis of results and challenges:** This measure will require the division to develop and circulate a survey to help determine whether our internal customers' expectations are being met in the areas of procurement, budget

development and monitoring. Survey responses will provide managers feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

### A1: Strategy - Improve procurement processing.

**Target #1:** Reduce procurement processing time by 10%.

**Measure #1:** Percent change in time from receipt of request to issuance of order compared to prior year.

#### Average Days Taken to Process Purchase Requests

Fiscal Year	Central Region	Northern Region	Southeast Region	YTD Total
FY 2002	not available	not available	not available	6.1
FY 2003	not available	not available	not available	9.8
FY 2004	4.5	3.7	4.5	4.25
FY 2005	4.0	3.6	4.8	not available
FY 2006	4.0	3.8	5.0	not available

*Results are reported on a state fiscal year basis.*

*FY2006 Southeast Region data identifies only Pilot Program procurements processed through the contractor ASCI.*

**Analysis of results and challenges:** The amount of time to process a procurement request varies widely due to its complexity, estimated dollar value and required method of procurement. Following are statutory (AS 36.30) factors that impact procurement-related performance measures in the acquisition of goods and services for the Department:

"Reasonable and adequate" competition is required for each expenditure valued at \$5,000 or less and involves contacting only one potential vendor in appropriate circumstances. At least 3 verbal quotations or proposals are required between \$5,000 and \$25,000; but are often required to be submitted in writing for purposes of clarity and conformance to specifications or scope of services. The Request for Quotation (RFQ) process or Informal Request for Proposals (IRFP) is required for expenditures valued at \$25,000 to \$50,000 and requires issuance of the State's Standard Terms and Conditions or General Provisions and written responses from vendors. The formal Invitation to Bid (ITB) or Request for Proposals (RFP) process is required at \$50,000 and above, which involves formulating specifications, advertising on the Online Public Notice (OPN), allowing 21 days for solicitation, receiving sealed bids or proposals and providing a ten-day protest period prior to award of a contract.

Construction related procurement processes are more complex and require additional time for processing. Most construction procurements are federally funded which require staff to be knowledgeable of federal regulations.

Generally, the amount of time spent on a procurement increases as the monetary value and/or complexity of the particular item being purchased increases. For this reason, it is difficult to accurately measure and set procurement-related performance standards. Additionally, the geographic remoteness throughout Alaska impacts communication, approval processes, and delivery issues that are influenced by inclement weather, vessels underway, and changing crews.

The BuySpeed purchasing and inventory web based procurement software continues to produce greater efficiencies in the contracting and procurement environments in Central and Northern Regions. In Southeast Region, the program is supplemented with "Smart Tools," a web-enabled program. Further efficiencies will be obtained by monitoring problem orders and addressing individual issues timely.

Southeast Region Procurement was selected for outsourcing in conjunction with Chapter 51, SLA 2003 pilot procurement project. Beginning of July 1, 2004, Southeast Region procurement and property activities were officially outsourced and performed by Alaska Supply Chain Integrators (ASCI). ASCI's performance was evaluated during the pilot phase to determine the merits of further outsourcing the State's procurement activities. The pilot sunset on July 1, 2006, and procurement activities were resumed by in-house staff.

**Target #2:** Reduce procurement violations by 1/3.

**Measure #2:** Percent change in the number of procurement violations compared to prior year.

#### Number of Procurement Violations

Year	YTD Total
2002	4
2003	3 -25.00%
2004	0 -100.00%
2005	0 0%
2006	1 0%

**Analysis of results and challenges:** When potential violations are identified, the department investigates and reports them to the Department of Administration, Division of General Services. Recommendations on necessary action to resolve the issue are also provided. Efforts to avoid future violations will include increased emphasis on training procurement and non-procurement staff on state purchasing requirements, and to assure quick distribution of new or revised procurement directives. Concentration on staff training encourages professionalism and accountability, and assures competent individuals are conducting all procurement activities.

### Key RDU Challenges

- Streamlining the department's procurement process is essential so that goods and services continue to be provided in a timely and efficient manner in accordance with all state and federal guidelines. Through the use of the department's automated procurement system, BuySpeed, we are able to improve information gathering and dissemination processes. The department is implementing a new BuySpeed system module that will allow end users to submit purchase requests through a web-based requisitioning program.
- Increased use of technology is being aggressively pursued to enhance efficiency in order to accommodate growth in the department's construction and maintenance efforts with no commensurate increase in funding for support functions.

### Significant Changes in Results to be Delivered in FY2008

No significant changes are anticipated.

### Major RDU Accomplishments in 2006

Improved the budget reporting process and the accuracy of projections prepared for all budget components in Central Region, particularly those with seasonal fluctuations in activity levels.

Enabled the BuySpeed status and tracking feature to monitor contract awards and maintenance agreements.

Provided training to Northern Region department employees at least twice a year on property management and procurement processes. This training continues to increase efficiency and improve service to customers.

#### Contact Information

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### Regional Support Services RDU Financial Summary by Component

*All dollars shown in thousands*

	FY2006 Actuals				FY2007 Management Plan				FY2008 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b><u>Formula</u></b>												
<b><u>Expenditures</u></b>												
None.												
<b><u>Non-Formula</u></b>												
<b><u>Expenditures</u></b>												
Central Support Svcs	533.0	0.0	299.9	832.9	563.2	0.0	363.7	926.9	669.0	0.0	373.9	1,042.9
Northern Support Services	654.9	0.0	475.5	1,130.4	684.6	0.0	585.6	1,270.2	819.7	0.0	607.8	1,427.5
Southeast Support Services	330.0	0.0	1,726.6	2,056.6	275.3	0.0	575.2	850.5	331.3	0.0	590.7	922.0
<b>Totals</b>	<b>1,517.9</b>	<b>0.0</b>	<b>2,502.0</b>	<b>4,019.9</b>	<b>1,523.1</b>	<b>0.0</b>	<b>1,524.5</b>	<b>3,047.6</b>	<b>1,820.0</b>	<b>0.0</b>	<b>1,572.4</b>	<b>3,392.4</b>

**Regional Support Services  
Summary of RDU Budget Changes by Component  
From FY2007 Management Plan to FY2008 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2007 Management Plan</b>	<b>1,523.1</b>	<b>0.0</b>	<b>1,524.5</b>	<b>3,047.6</b>
<b>Adjustments which will continue current level of service:</b>				
-Central Support Svcs	38.6	0.0	-38.4	0.2
-Northern Support Services	56.7	0.0	-56.6	0.1
-Southeast Support Services	26.3	0.0	-56.3	-30.0
<b>Proposed budget increases:</b>				
-Central Support Svcs	67.2	0.0	48.6	115.8
-Northern Support Services	78.4	0.0	78.8	157.2
-Southeast Support Services	29.7	0.0	71.8	101.5
<b>FY2008 Governor</b>	<b>1,820.0</b>	<b>0.0</b>	<b>1,572.4</b>	<b>3,392.4</b>